

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)	
UPPER PENINSULA POWER COMPANY)	
for approval of a refund related to self-implementation)	Case No. U-18220
of general service rates beginning March 19, 2016,)	
and ending September 22, 2016.)	
_____)	

At the April 28, 2017 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman
Hon. Norman J. Saari, Commissioner
Hon. Rachael A. Eubanks, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On September 18, 2015, in Case No. U-17895, Upper Peninsula Power Company (UPPCo) filed an application seeking authority to increase its rates for retail electric service in the annual amount of \$6,681,312 if a requested deferral was granted, or \$13,155,928 if the deferral was not granted, based on a projected calendar 2016 test year. On February 10, 2016, UPPCo filed testimony indicating that the company intended to self-implement a rate increase designed to increase revenues in the annual amount of \$6,259,025 on and after March 19, 2016. Following a hearing and the filing of briefs, pursuant to MCL 460.6a(1), UPPCo self-implemented its rate increase.

In compliance with the September 8, 2016 order in Case No. U-17895 (September 8 order), on December 15, 2016, UPPCo filed an application in this case, with supporting testimony and

exhibits, requesting authority to reconcile the total electric utility revenues collected during the self-implementation period in Case No. U-17895 with the total revenues that would have been produced had the final rates authorized in that proceeding been in effect during that period. On January 18, 2017, UPPCo filed an amended application, direct testimony, and exhibits.

A prehearing conference was held on March 14, 2017, before Administrative Law Judge Martin D. Snider. UPPCo, the Commission Staff, and Michigan Technological University participated in the proceeding. Subsequently, the parties submitted a settlement agreement resolving all issues in the case.

According to the terms of the settlement agreement, attached as Exhibit 1, the parties agree that UPPCo collected total revenues during the self-implementation period from March 19, 2016, to September 22, 2016, that exceed the total revenues that would have been produced by the final rates ordered in the September 8 order by \$497,310. The parties also agree that UPPCo is required to pay interest on the overrecovery at a rate equal to 5%, plus the applicable London Interbank Offered Rate, which the parties agree should be \$27,960, if refunded during the June 2017 billing month. The parties agree that the total overrecovery, with interest, is \$525,270, and that the Commission should authorize UPPCo to implement credits, effective for the June 2017 billing month, as set forth in Attachment B to the settlement agreement. Finally, following the implementation of credits, the parties agree that any net residual balances should be calculated on a per-customer basis and applied by UPPCo during a subsequent month, but no later than three months from the initial implementation of the credits. Upon completion, UPPCo shall file a letter in this docket noting its disposition of any residual balances.

The Commission finds that the settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE IT IS ORDERED that:

A. The settlement agreement, attached as Exhibit 1, is approved.

B. Upper Peninsula Power Company shall refund the principal amount of \$497,310, plus \$27,960 in interest, during the June 2017 billing month in accordance with Attachment A to the settlement agreement.

C. Upper Peninsula Power Company shall reconcile any residual balance associated with the self-implementation refund remaining after the June 2017 billing month as set forth in this order.

D. Within 30 days of this order, Upper Peninsula Power Company shall file tariff sheets substantially in conformity with Attachment B to the settlement agreement.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel. Electronic notifications should be sent to the Executive Secretary at mpscedockets@michigan.gov and to the Michigan Department of the Attorney General – Public Service Division at pungpl@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General – Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Sally A. Talberg, Chairman

Norman J. Saari, Commissioner

Rachael A. Eubanks, Commissioner

By its action of April 28, 2017.

Kavita Kale, Executive Secretary

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)	Case No. U-18220
UPPER PENINSULA POWER COMPANY)	
for approval of a refund related to self-)	
implementation of general service rates)	
beginning March 19, 2016 and ending)	
<u>September 22, 2016.</u>)	

SETTLEMENT AGREEMENT

As provided in Sec. 78 of the Administrative Procedures Act of 1969 (“APA”), as amended, MCL 24.287 and Rule 431 of the Michigan Administrative Hearing System’s Administrative Hearing Rules, 2015 ACR 792.10431, Upper Peninsula Power Company (“UPPCO” or the “Company”), the Michigan Public Service Commission Staff (“Staff”), and Michigan Technological University (“MTU”) hereby agree as follows:

1. In compliance with the September 8, 2016 Order of the Michigan Public Service Commission (“MPSC” or the “Commission”) issued in Case No U-17895 on December 15, 2016, UPPCO filed its application and supporting direct testimony and exhibits to reconcile the general service revenues collected during the period the Company self-implemented its rates in Case No. U-17895 (March 19, 2016 through September 22, 2016) with the total revenues that would have been produced had the final rates authorized in Case No. U-17895 been in effect during that period. On January 18, 2017, UPPCO filed an amended application and direct case.

2. On February 14, 2017, the Commission’s Executive Secretary issued a notice of hearing directing UPPCO to mail a copy of the notice of hearing to all cities, incorporated

villages, townships, and counties in its service area, as well as to intervenors in Case No. U-17895. The Commission further directed UPPCO to publish the notice of hearing in daily newspapers of general circulation throughout its service area. Complying with the directives UPPCO electronically filed with the Commission the requisite affidavits of mailing and publication on March 10, 2017.

3. On March 14, 2017, a prehearing conference was held with ALJ Martin D. Snider presiding, and UPPCO and Staff appearing. MTU was granted intervention.

4. Subsequently, following a Staff audit, the parties engaged in settlement discussions, and as a result, have successfully reached compromise on all contested issues in Case No. U-18220. Therefore, for purposes of settlement of the self-implementation reconciliation associated with Case No. U-17895, the undersigned parties agree as follows:

- A. The Commission should find that UPPCO collected total revenues during the self-implementation period from March 19, 2016 through September 22, 2016, that exceed the total revenues that would have been produced by the final rates ordered in the September 8, 2016 Order in Case No. U-17895 by \$497,310 (“the Over-Collection”). (See Attachment A for calculation.)
- B. The Commission should find that UPPCO is required to pay interest on the Over-Collection at a rate equal to 5% plus the applicable London Interbank Offered Rate (“LIBOR”), which the Commission should find to be \$27,960 if refunded during the June 2017 billing month. The Commission should further find that the Over-Collection with interest

results in a total amount to be refunded of \$525,270. (See Attachment A for calculation.)

- C. The Commission should authorize UPPCO to implement credits effective for the June 2017 billing month as shown on the proposed tariff sheet attached to this Settlement Agreement as Attachment B.
- D. Following the implementation of the credits, any net residual balances should be calculated on a per customer basis and applied by UPPCO during a subsequent month, but no later than three months from the initial implementation of the credits. Upon completion, UPPCO will file a letter in this docket noting its disposition of any residual balances.

5. This Settlement Agreement is entered into for the sole and express purpose of reaching a compromise among the parties. All offers of settlement and discussions relating to this settlement are, and shall be considered, privileged under MRE 408. If the Commission approves this Settlement Agreement without modification, neither the parties to this Settlement Agreement nor the Commission shall make any reference to, or use, this Settlement Agreement or the order approving it, as a reason, authority, rationale, or example for taking any action or position or making any subsequent decision in any other case or proceeding; provided, however, such references may be made to enforce or implement the provisions of this Settlement Agreement and the order approving it.

6. This Settlement Agreement is based on the facts and circumstances of this case and is intended for the final disposition of the self-implementation reconciliation associated with Case No. U-18220. So long as the Commission approves this Settlement Agreement without any modification, the parties agree not to appeal, challenge, or otherwise contest the Commission

order approving this Settlement Agreement. The parties agree and understand that this Settlement Agreement does not limit any party's right to take new and/or different positions on similar issues in other administrative proceedings, or appeals related thereto.

7. This Settlement Agreement is not severable. Each provision of the Settlement Agreement is dependent upon all other provisions of this Settlement Agreement. If the Commission rejects or modifies this Settlement Agreement or any provision of the Settlement Agreement, this Settlement Agreement shall be deemed to be withdrawn, shall not constitute any part of the record in this proceeding or be used for any other purpose, and shall be without prejudice to the pre-negotiation positions of the parties.

8. The parties agree that approval of this Settlement Agreement by the Commission would be reasonable and in the public interest.

9. The parties agree to waive Section 81 of the APA, as it applies to the issues resolved in this Settlement Agreement, if the Commission approves this Settlement Agreement without modification.

Dated: April 13, 2017

UPPER PENINSULA POWER COMPANY

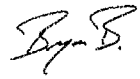
By: **Sherri A. Wellman**

Its Attorney
Sherri A. Wellman (P38989)
Miller, Canfield, Paddock and Stone P.L.C.
One Michigan Avenue, Suite 900
Lansing, MI 48933

Digitally signed by: Sherri A. Wellman
DN: CN = Sherri A. Wellman C = AD O
= MillerCanfield
Date: 2017.04.12 15:07:45 -05'00'

MICHIGAN PUBLIC SERVICE COMMISSION
STAFF

Dated: April 13, 2017

By:  Digitally signed by Bryan A.
Brandenburg
Date: 2017.04.13 14:54:25 -04'00'

Its Attorney
Bryan A. Brandenburg (P77216)
Assistant Attorney General
7109 West Saginaw Hwy, 3rd Floor
Lansing, MI 48917

MICHIGAN TECHNOLOGICAL UNIVERSITY

Dated: April 13, 2017

By: **Richard J.
Aaron** Digitally signed by: Richard J. Aaron
DN: CN = Richard J. Aaron email =
raaron@dykema.com C = US O =
Dykema Gossett PLLC
Date: 2017.04.13 15:40:05 -05'00'

Its Attorney
Richard J. Aaron (P35605)
Dykema Gossett P.L.L.C.
Capitol View
201 Townsend Street, Suite 900
Lansing, MI 48933

28947397.1\130062-00085

Michigan Public Service Commission
Upper Peninsula Power Company
U-18220 Reconciliation of Self-Implemented Rate Increase
Summary of Self-Implemented Rate Increase and Final Revenue Increases

Line No.	(a) Description	(b) SI Period Sales (kWh) Source: Exh S-2	(c) Total Actual Revenue Source: Exh S-2	(d) Total Approved Revenue Source: Exh S-2	(e) (Refund) Coll. Revenues (d-c)	(f) Total Net Increase/ (Decrease) (%) (e/c)
1	UPPCO RETAIL SYSTEM					
2	A-1	99,884,543	\$24,346,391	\$24,619,418	\$273,027	1.12%
3	AH-1	11,068,468	\$2,452,666	\$2,497,976	\$45,310	1.85%
4	C-1	30,271,017	\$5,934,502	\$5,576,898	(\$37,604)	-6.03%
5	H-1	3,297,261	\$541,298	\$535,719	(\$5,578)	-1.03%
6	P-1	46,296,344	\$6,678,959	\$6,510,015	(\$168,944)	-2.53%
7	Cp-U	81,986,224	\$7,675,774	\$7,180,804	(\$494,970)	-6.45%
8	WP-3	33,532,176	\$1,258,321	\$1,358,589	\$100,268	7.97%
9	RTMP	99,330,895	\$181,629	\$168,716	(\$12,913)	-7.11%
10	Z-3	488,049	\$258,792	\$272,194	\$13,401	5.18%
11	SL	1,975,597	\$901,023	\$944,745	\$43,722	4.85%
12	A-2	8,716,314	\$1,979,828	\$2,045,280	\$65,452	3.31%
13	Z-4	63,374	\$28,826	\$30,344	\$1,518	5.27%
14						
15	Total (Refund) Collection	416,910,262	\$52,238,009	\$51,740,698	(\$497,310)	-0.95%

Self-Implemented Period: March 19, 2016 - September 22, 2016

Michigan Public Service Commission

Upper Peninsula Power Company
U-18220 Reconciliation of Self-Implemented Rate Increase
Calculation of Interest on the Self-Implemented Refund

Line No.	Month	Year	(a)	(b)	(c)	(d)	(e)	(f)	Interest		(h)	(i)
									Rate ⁽²⁾	Expense		
				Beginning Balance	Refundable Revenues ⁽¹⁾	Ending Balance	Average Balance				Cumulative Interest	Total Balance
1	Mar	2016	\$	-	\$ (7,143)	\$ (7,143)	\$ (3,571)	5.4363%	\$ (16)	\$ (16)	\$	(7,159)
2	Apr	2016		(7,143)	(61,878)	(69,020)	(38,081)	5.4374%	(171)	(187)	\$	(69,208)
3	May	2016		(69,020)	(64,645)	(133,666)	(101,343)	5.4426%	(456)	(643)	\$	(134,309)
4	Jun	2016		(133,666)	(99,238)	(232,904)	(183,285)	5.4527%	(825)	(1,468)	\$	(234,372)
5	Jul	2016		(232,904)	(82,210)	(315,114)	(274,009)	5.4829%	(1,260)	(2,729)	\$	(317,843)
6	Aug	2016		(315,114)	(89,112)	(404,226)	(359,670)	5.5128%	(1,654)	(4,383)	\$	(408,609)
7	Sep	2016		(404,226)	(75,423)	(479,649)	(441,938)	5.5270%	(2,033)	(6,416)	\$	(486,065)
8	Oct	2016		(479,649)	(12,731)	(492,380)	(486,015)	5.5308%	(2,236)	(8,652)	\$	(501,032)
9	Nov	2016		(492,380)	(1,810)	(494,190)	(493,285)	5.5631%	(2,269)	(10,921)	\$	(505,111)
10	Dec	2016		(494,190)	(1,564)	(495,754)	(494,972)	5.7164%	(2,376)	(13,297)	\$	(509,051)
11	Jan	2017		(495,754)	(771)	(496,525)	(496,139)	5.7714%	(2,381)	(15,678)	\$	(512,203)
12	Feb	2017		(496,525)	(785)	(497,310)	(496,918)	5.7767%	(2,385)	(18,063)	\$	(515,374)
13	Mar	2017		(497,310)		(497,310)	(497,310)	5.9200%	(2,437)	(20,500)	\$	(517,810)
14	Apr	2017		(497,310)		(497,310)	(497,310)	6.0300%	(2,487)	(22,987)	\$	(520,297)
15	May	2017		(497,310)		(497,310)	(497,310)	6.0300%	(2,487)	(25,473)	\$	(522,784)
16	Jun	2017		(497,310)		(497,310)	(497,310)	6.0300%	(2,487)	(27,960)	\$	(525,270)
17	Jul	2017		(497,310)		(497,310)	(497,310)	6.0300%	(2,487)	(30,446)	\$	(527,757)
18	Aug	2017		(497,310)		(497,310)	(497,310)	6.0300%	(2,487)	(32,933)	\$	(530,243)
19	Sep	2017		(497,310)		(497,310)	(497,310)	6.0300%	(2,487)	(35,420)	\$	(532,730)
20	Oct	2017		(497,310)		(497,310)	(497,310)	6.0300%	(2,487)	(37,906)	\$	(535,216)
19	Principle				\$ (497,310)							
20	Interest				\$ (27,960)							
21	Total				\$ (525,270)							

Michigan Public Service Commission

Upper Peninsula Power Company

U-18220 Reconciliation of Self-Implemented Rate Increase

Calculation of Interest on the Self-Implemented Refund

(1) Provisional refundable revenues from Exhibit S-1 allocated as follows:

Date	kWh	Allocator	Refund
Mar-16	5,987,790	1.44%	(7,143)
Apr-16	51,874,159	12.44%	(61,878)
May-16	54,193,947	13.00%	(64,645)
Jun-16	83,194,438	19.95%	(99,238)
Jul-16	68,919,347	16.53%	(82,210)
Aug-16	74,705,186	17.92%	(89,112)
Sep-16	63,229,742	15.17%	(75,423)
Oct-16	10,672,488	2.56%	(12,731)
Nov-16	1,517,290	0.36%	(1,810)
Dec-16	1,311,270	0.31%	(1,564)
Jan-17	646,236	0.16%	(771)
Feb-17	658,369	0.16%	(785)
	416,910,262	100%	(497,310)

(2) Annual Interest Rate calculated as U.S. Dollar 1-Month LIBOR plus 5 percent:

Date	LIBOR	Adder	Total Rate
Mar-16	0.4363%	5.0000%	5.4363%
Apr-16	0.4374%	5.0000%	5.4374%
May-16	0.4426%	5.0000%	5.4426%
Jun-16	0.4527%	5.0000%	5.4527%
Jul-16	0.4829%	5.0000%	5.4829%
Aug-16	0.5128%	5.0000%	5.5128%
Sep-16	0.5270%	5.0000%	5.5270%
Oct-16	0.5308%	5.0000%	5.5308%
Nov-16	0.5631%	5.0000%	5.5631%
Dec-16	0.7164%	5.0000%	5.7164%
Jan-17	0.7714%	5.0000%	5.7714%
Feb-17	0.7767%	5.0000%	5.7767%
Mar-17	0.9200%	5.0000%	5.9200%
Apr-17	1.0300%	5.0000%	6.0300%
May-17	1.0300%	5.0000%	6.0300%
Jun-17	1.0300%	5.0000%	6.0300%
Jul-17	1.0300%	5.0000%	6.0300%
Aug-17	1.0300%	5.0000%	6.0300%
Sep-17	1.0300%	5.0000%	6.0300%
Oct-17	1.0300%	5.0000%	6.0300%

Michigan Public Service Commission

Upper Peninsula Power Company

U-18220 Reconciliation of Self-Implemented Rate Increase

Calculation of Self-Implemented Rate Increase Refund Surcharge by Rate Schedule

Line No.	(a) Description	(b) Refund ⁽¹⁾		(c) Interest	(d) Provisional Refund	(e) Jun-17 Forecasted Sales (kWh)	(f) Jun-17 Refund (d/e) (\$/kWh)
		Principle					
1	<u>UPPCO RETAIL SYSTEM</u>						
2	A-1				-		
3	AH-1				-		
4	C-1	(\$170,999)		(\$9,614)	(180,612)	4,716,910	\$ (0.0383)
5	H-1	(\$2,667)		(\$150)	(2,817)	548,209	\$ (0.0051)
6	P-1	(\$80,785)		(\$4,542)	(85,327)	6,056,185	\$ (0.0141)
7	Cp-U	(\$236,684)		(\$13,307)	(249,991)	11,401,365	\$ (0.0219)
8	WP-3				-		
9	RTMP	(\$6,175)		(\$347)	(6,522)	18,500,600	\$ (0.0004)
10	RTMP-D				-		
11	Z-3				-		
12	SL				-		
13	A-2				-		
14	Z-4				-		
15							
16	Total (Refund) Collection	(497,310)		(27,960)	(525,270)	41,223,269	

Self-Implemented Period: March 19, 2016 - September 22, 2016

(1) Refund and Interest based on pro rate share of the overpayment

UPPER PENINSULA POWER COMPANY

MPSC Vol No 8-ELECTRIC

2nd Rev. Sheet No. D-77.00
Replaces 1st Rev. Sheet No. D-77.00**D13. Self-Implemented Rate Surcharge****Self-Implemented Rate Surcharge**

This surcharge adjusts rates for self-implemented rate reconciliation. All customer bills subject to the provisions of this tariff shall be adjusted by the \$/kWh surcharges for the June 2017 billing month, as follows:

<u>Tariff</u>	<u>Energy Charges (\$/kWh)</u>
A-1	\$0.0000
A-2	\$0.0000
AH-1	\$0.0000
C-1	(\$0.0383)
H-1	(\$0.0051)
P-1	(\$0.0141)
Cp-U	(\$0.0219)
WP-3	\$0.0000
RTMP	(\$0.0004)
Z-3	\$0.0000
Z-4	\$0.0000
SL-3/5/6	\$0.0000

Issued: xx-xx-xx
By G R Haehnel
Director - Regulatory Affairs
Marquette, Michigan

Effective for Service
On and After: xx-xx-xx
Issued Under Auth. of
Mich Public Serv Comm
Dated: xx-xx-xx
In Case No: U-18220